



Testimony of Adam Gordon, Staff Attorney, Fair Share Housing Center

**United States Senate Committee on Banking, Housing, and Urban Affairs
Subcommittee on Housing, Transportation, and Community Development**

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Good morning, Chairman Menendez, Ranking Member Moran, and members of the committee. Thank you for convening this morning's hearing. My name is Adam Gordon and I am a Staff Attorney with Fair Share Housing Center, which works throughout New Jersey to ensure that people of every race, ethnicity, and income level, including families, seniors, and people with special needs, can live near their schools, jobs, and families. Since Sandy hit, we've worked with a broad range of community groups and individuals impacted by the storm to ensure that the rebuilding process, including federal money available for rebuilding, is distributed fairly to everyone impacted by Sandy. We run a hotline for people impacted by Sandy and provide rebuilding information on our web site and through partnerships with local community groups.

It has now been nearly a year and half since Superstorm Sandy devastated communities throughout New Jersey, from Moonachie in Bergen County to Ocean City in Cape May County. For too many people in New Jersey, it is still as if Sandy happened yesterday. There are places in our state where street after street sits with half-destroyed homes or homes filled with mold, with the people who live there unsure what comes next for them and their families. With tens of thousands of renters and homeowners still displaced and wondering if they will ever be able to move home, many people are asking: 'Couldn't the recovery be going better?' In fact, according to a recent Monmouth University poll, three-quarters of people impacted by Sandy believe that the recovery is not helping people like them. Some of the stronger complaints that we've heard include the veteran who said dealing with the State has been harder than fighting in Afghanistan and the local community leader who compared the programs to a shady used car salesman trying to figure out how to get away with providing as little aid as possible.

We agree with something Senator Menendez said earlier this week: the most important thing at this point is not to assign blame, but rather to chart a path forward that fixes the problems. This hearing comes at a critical time: when New Jersey is about to receive \$1.4 billion in additional federal funds. The allocation of these funds provides a singular opportunity – for many people impacted by Sandy perhaps the last opportunity – to get this recovery on track and help people rebuild.

Today, we'll describe program and policy changes we and others have proposed to make the recovery stronger, fairer, and more transparent. These proposals come from us and a broad range of other groups, including people impacted by Sandy, civil rights groups such as the NAACP and Latino Action Network, business groups such as housing developers, the non-profit Housing and

Community Development Network, and to faith-based organizations and congregations throughout New Jersey. We described many of these recommendations in a report in January available on our website, and have submitted them as comments to both state and federal officials.

We're going to focus on three main areas: first, fixing the two main New Jersey homeownership programs, RREM and Resettlement, which have been plagued by widespread problems in implementation that have hit lower-income people, African-Americans, and Latinos the hardest, but have more generally not worked well enough for everyone impacted by Sandy. Second, making sure that renters impacted by Sandy are not left out. And finally, targeting scarce federal funds to the hardest hit areas.

First, the State's main programs for rebuilding for homeowners, the Reconstruction, Rehabilitation, Elevation, and Mitigation, or RREM, program, which helps with structural rebuilding, and the Resettlement program, which helps with short-term grants, simply are not working the way they should be. That's true for everyone, but especially true for lower-income people, African-Americans, and Latinos hit hard by the storm.

It recently came to light, only after we had to sue the State for access to documents under our freedom of information law, that the state and its contractors unfairly rejected thousands of applicants for both of these programs. We'd hear the stories day after day - people who had four feet of flooding would call us and say they got a letter that they did not have enough damage to qualify. And it turns out that the data that the State relied upon was systemically flawed. In fact, when people appealed their denials, nearly 80 percent of people appealing won. That means that when the State reviewed denials for funding, four out of five times they got it wrong. But most people didn't appeal - they trusted in the process, even though it turns out the process was fundamentally flawed.

These problems hit people of every racial and ethnic group, and all incomes. But they hit African-Americans and Latinos particularly hard. African-Americans were rejected from these programs at 2.5 times the rate of white applicants, and Latinos at 1.5 times the rate of white, non-Latino applicants. Yet for people who appealed denials, approval rates in the RREM program were similar - over 75 percent for people of all races and ethnicities - in fact Latinos had the highest approval rate of any group. And even when you isolate applications by zip code - thus looking at people with similar levels of damage - the disparities persist.

We still don't know the full story of how this happened, but we have some clues. The State frequently provided incorrect information in Spanish. There was no information for months on the appeals process or the date applications were due on the Spanish language website, when that information was readily available in English. When Spanish-speaking applicants went to in-person application centers, they often found nobody who could help them, even in heavily Spanish-speaking areas. And many people in African-American and Latino communities did not know about the programs at all due to poor publicity and outreach. One particularly troubling example is in the heavily Latino community of Moonachie, where some applicants were told, incorrectly, that the mobile homes they lived in did not qualify for the program and it was for the "big houses in the center of town"; out of hundreds of mobile homes damaged there have been

only 10 grants that we know of to mobile homeowners.

The whole program was shoddily run. Walk-in centers were located far from damaged communities to save on rent. Call centers were told to get people off the phone as quickly as possible instead of helping them solve their problems. To its credit, the State has now fired the contractor running the program, HGI, though it hid that decision for six weeks until a reporter uncovered it and it is unclear who is now running the show.

The main problems now are that while everyone agrees the program wasn't working, there is an attitude of defensiveness about the debacle that transpired. Instead of working together to fix the problems, the State has consistently hid information, failing to respond to public records requests, and only reacting after litigation and severe pressure from the media and angry homeowners.

The fixes in many cases are obvious. Here's a few:

- As I noted, denials were wrong 80 percent of the time. Yet most people didn't appeal the denials because they didn't know about the process, were concerned about the potential costs or bureaucracy involved, or didn't think it mattered – in fact fewer than 1 in 3 people rejected appealed, and African-Americans and Latinos appealed at particularly low rates. The State should affirmatively review every denial and see if in fact the applicant was eligible. Instead, the State is requiring people to go through a complex appeals process. When you're wrong 4 out of 5 times, it's on you to fix the problem, not people impacted by the storm.
- Too many people were wrongly told they didn't qualify, or provided the wrong information, whether mobile home owners or people using the Spanish language website. The Latino Action Network filed a federal complaint in response to the Spanish language website problems, which included incorrect information about the appeals date and location of the centers, and asking for the lists to be reopened. That complaint, five months later, remains unanswered by either the State or HUD. The State needs to reopen the application process given these widespread failures, which it has to date refused to do.
- The State promised to grant 60% of Resettlement funds and 70% of RREM funds to low and moderate income homeowners. They have not met those targets because they claim there were not enough qualified applicants. We now know that many of the people the State found unqualified in fact were qualified - so it's time to make sure that these promises are kept.
- We need to make sure this money gets out efficiently and effectively, and people know where they stand. We hear from people all of the time that they are told different things about whether they will get money or not, and confusing information about their place in the wait list. We need a plan to fairly treat everyone who qualifies based on need and damage alone.

Second, while programs for homeowners are not working well or fairly, in many cases renters have it even worse and aren't eligible for funding at all. An analysis that I worked on with the Furman Center for Real Estate and Urban Policy at New York University, where I am a non-resident fellow, showed that 40 percent of all families impacted by Sandy in New Jersey are renters. About two-thirds of the lowest-income people hit by Sandy in New Jersey, those families earning less than \$30,000 per year, are renters. In addition, over two-thirds of African-Americans and Latinos impacted by Sandy in New Jersey are renters.

So far, only 25 percent of housing funds made available from the federal Community Development Block Grant have gone to renter programs, despite renters constituting 40 percent of the damage. In particular, New Jersey has made very little money available directly to help renters impacted by the storm. While homeowners have been eligible for over \$200 million of Resettlement grants of \$10,000 in immediate funds to help people get back on their feet, the State has only just now proposed a \$15 million program for renters. Meanwhile, as rents skyrocket due to the damage to housing stock and new competition in the rental market from displaced owners, families have to split up or are being displaced from their home communities. In many areas, rents have gone up by 20% or more due to a lack of housing supply; vacancy rates in some counties fell after the storm to under one percent. We hear from people living in isolated areas in campers, doubled up with relatives, or having to leave because their rents are going up - with no idea of where they will be even a few months from now. Long-term rebuilding efforts are also severely underfunded and, as I'll discuss next, are being funded in areas with little or no damage from Sandy far from where most people displaced by the storm live. Our second recommendation is to increase funding available to renters to both meet immediate needs and long-term rebuilding, so it is proportional to the damage from the storm.

Finally, we are very concerned that the money there is for renters isn't actually going to where the damage from the storm was. The two hardest hit counties, Ocean and Monmouth, had 52.5% of major and severe rental damage. However, these two counties have received only 21.7% of the funds in the main rental rebuilding program to date, the Fund for Restoration of Multi-Family Housing. In contrast, the eligible county with the least damage, Essex, which is about 60 miles from Monmouth and Ocean Counties, had just one percent of major and severe rental damage - or less than one fiftieth of the damage in Monmouth and Ocean Counties. However, that single county has received 16.1% of funding for the main rental rebuilding program to date - nearly as much as Monmouth and Ocean County combined - including in municipalities such as Belleville that had little or no damage from the storm. I can't overemphasize how much we hear from people who are angry about this. They ask why Belleville could get money, but there is no money for people to relocate to replacement homes in their communities.

The potential is there. We hear from landlords and developers that they are quite willing to invest in rebuilding in the hardest hit areas and would like to do so. However, the state's programs are not structured in a way that sets clear rules to target the funding to the places with the most impact. As such, developers have no incentive to deal with the regulatory tangle that inevitably comes with developing in a disaster area, if they can more easily get federal funds in areas that were barely hit. It isn't right, but it is how the state's incentives are structured, and it is not realistic to expect private market actors to invest a lot of time and money in the areas truly hit by

Sandy if they won't get funding at the end of the day.

What impact does that have on families? Let me put it in the context of a few of the members of the committee's states that I have the pleasure to have visited. Senator Toomey, it's like telling someone displaced from a disaster in Reading that they have to move to Harrisburg if they want recovery money; Senator Warren, it's like telling someone hit with a disaster in Boston that they have to move somewhere out past Worcester if they want relief. It's wrong to use federal disaster money in a way that severs people from their communities, and forces them to choose between moving far away and getting to rebuild. Especially when we have heard from the development community that they are willing to rebuild in storm-impacted areas if the State prioritizes those areas. Our final recommendation is that for the next \$1.4 billion the State needs to put the hardest hit areas first.

I'll conclude by noting that both the State and HUD have known about the problems I have identified for many months, yet we have not seen any significant action to address them. While HUD was helpful in requiring changes of the State nearly a year ago in the first Action Plan to shift more money to renters impacted by Sandy, since that time we have seen too little action to ensure that these federal funds are spent fairly. Given the magnitude of the problems on the ground in New Jersey and the urgent needs of people impacted by Sandy that are going unmet, HUD needs to take a leadership role in making sure that these problems are corrected.

The time to act is now. As I noted before, the next \$1.4 billion from HUD is critical. If we don't make sure these funds are spent fairly - fixing the broken RREM and Resettlement process, addressing the needs of both renters and owners, and targeting the people and areas hardest hit - it will be lights out for too many New Jerseyans trying to rebuild. Unfortunately, absent a strong course correction through a partnership between the federal and state governments and impacted communities, too many people will not be able to rebuild. We want a better result for our state that uses these scarce federal funds fairly and effectively. Thank you for your time.